

# Audubon Nature Institute, Inc. and Audubon Nature Institute Foundation

Consolidated Financial Statements and  
Additional Information as of and for the  
Year Ended December 31, 2008, Schedule of  
Expenditures of Federal Awards for the Year Ended  
December 31, 2008, and  
Independent Auditors' Report

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/3/09

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**TABLE OF CONTENTS**

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	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008:</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5–15
<b>ADDITIONAL CONSOLIDATING INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008:</b>	<b>16</b>
Independent Auditors' Report on Additional Consolidating Information	17
Consolidating Schedule — Statement of Financial Position Information	18
Consolidating Schedule — Statement of Activities Information	19
<b>OMB CIRCULAR A-133 SUPPLEMENTAL REPORTS AND SCHEDULES</b>	<b>20</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>21–22</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>23–24</b>
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27–28
Summary of Prior Year Audit Findings	29



Deloitte & Touche LLP  
Suite 4200  
701 Poydras Street  
New Orleans, LA 70139-4200  
USA  
Tel: +1 504 581 2727  
Fax: +1 504 561 7293  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Audubon Nature Institute, Inc.:

We have audited the accompanying consolidated statement of financial position of Audubon Nature Institute, Inc. and Audubon Nature Institute Foundation (the "Institute"), as of December 31, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2007 consolidated financial statements and, in our report dated May 23, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2009, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte & Touche LLP*

May 21, 2009

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2008 , WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007**

	2008	2007
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 301,369	\$ 2,541,947
ACCOUNTS AND GRANTS RECEIVABLE	944,573	917,143
INVESTMENTS	22,424,140	32,051,139
PLEDGES RECEIVABLE	3,972,208	3,247,566
DUE FROM AUDUBON COMMISSION	10,682,557	9,538,889
PREPAIDS AND OTHER ASSETS	43,037	50,349
EQUIPMENT LESS ACCUMULATED DEPRECIATION OF \$61,625 AND \$83,094 AT 2008 AND 2007, RESPECTIVELY	29,507	33,335
RESTRICTED ASSETS — LPFA bonds	<u>135,654</u>	<u>138,404</u>
<b>TOTAL</b>	<b><u>\$38,533,045</u></b>	<b><u>\$48,518,772</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 244,651	\$ 166,709
ACCRUED COMPENSATION	1,065,608	1,047,271
LINEs OF CREDIT	4,000,000	
TERM LOANS	2,250,000	3,663,527
LPFA BONDS	<u>1,630,000</u>	<u>1,835,000</u>
Total liabilities	<u>9,190,259</u>	<u>6,712,507</u>
<b>NET ASSETS:</b>		
Unrestricted — including Board designated	5,563,950	16,756,969
Temporarily restricted	6,773,507	7,906,115
Permanently restricted	<u>17,005,329</u>	<u>17,143,181</u>
Total net assets	<u>29,342,786</u>	<u>41,806,265</u>
<b>TOTAL</b>	<b><u>\$38,533,045</u></b>	<b><u>\$48,518,772</u></b>

See notes to consolidated financial statements.

# AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008, WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2008	2007
REVENUE AND OTHER SUPPORT:					
Government grants	\$ 455,691	\$ 93,062	\$ -	\$ 548,753	\$ 295,121
Gifts, exhibit/program sponsorships	234,565	3,388,243	66,000	3,688,808	4,607,840
Investment (loss) income	(10,429,556)		631,451	(9,798,105)	1,835,500
Imputed interest on pledges		73,421		73,421	49,172
Fundraising activities	1,228,692			1,228,692	912,740
Net assets released from restrictions:					
Specific grants to the Audubon Commission for operations, support, education programs, and capital projects	4,593,153	(4,593,153)			-
Endowment income transferred to Audubon Commission funds	<u>(273,309)</u>	<u></u>	<u>(835,135)</u>	<u>(1,108,444)</u>	<u>(133,847)</u>
Total revenue and other support	<u>(4,190,764)</u>	<u>(1,038,427)</u>	<u>(137,684)</u>	<u>(5,366,875)</u>	<u>7,566,526</u>
EXPENSES:					
Grant expense to the Audubon Commission	5,354,446			5,354,446	2,758,952
Development and fundraising activities	1,473,629			1,473,629	1,661,314
Termite education grant		85,994		85,994	101,043
Interest	75,499			75,499	133,182
Investment expenses	98,681		168	98,849	61,015
Other expenses	<u></u>	<u>8,187</u>	<u></u>	<u>8,187</u>	<u>24,624</u>
Total expenses	<u>7,002,255</u>	<u>94,181</u>	<u>168</u>	<u>7,096,604</u>	<u>4,740,130</u>
CHANGE IN NET ASSETS	<u>(11,193,019)</u>	<u>(1,132,608)</u>	<u>(137,852)</u>	<u>(12,463,479)</u>	<u>2,826,396</u>
NET ASSETS — Beginning of year	<u>16,756,969</u>	<u>7,906,115</u>	<u>17,143,181</u>	<u>41,806,265</u>	<u>38,979,869</u>
NET ASSETS — End of year	<u>\$ 5,563,950</u>	<u>\$ 6,773,507</u>	<u>\$ 17,005,329</u>	<u>\$ 29,342,786</u>	<u>\$ 41,806,265</u>

See notes to consolidated financial statements.

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS  
FOR DECEMBER 31, 2007**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets for the year	\$ (12,463,479)	\$ 2,826,396
Adjustments to reconcile change in net assets to cash (used in) provided by operations:		
Realized gains on investments	(2,472,705)	(6,546)
Unrealized losses (gains) on investments	12,849,419	(1,126,773)
Receipt of stock gifts	(55,568)	(71,824)
Imputed interest on pledges	(73,421)	(49,172)
New pledges recorded	(1,950,000)	(1,452,526)
Depreciation	9,308	6,000
Pledge payments	1,298,778	1,407,294
Accounts and grants receivable, due from Audubon Commission, and other assets	(1,163,786)	(1,097,780)
Accounts payable and other liabilities	96,279	571,250
Net cash (used in) provided by operating activities	(3,925,175)	1,006,319
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales or maturities of investments	11,071,232	444,878
Purchases of investments	(11,765,378)	(1,171,987)
Property additions — net	(5,480)	(31,290)
Restricted assets — net	2,750	1,479
Net cash used in investing activities	(696,876)	(756,920)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments/draws under lines of credit	4,000,000	(2,400,000)
Repayments of term loan	(663,527)	(627,143)
Payments on the Packard Foundation Loan	(750,000)	
Repayment of bonds	(205,000)	(205,000)
Net cash provided by (used in) financing activities	2,381,473	(3,232,143)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,240,578)</b>	<b>(2,982,744)</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<b>2,541,947</b>	<b>5,524,691</b>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<b>\$ 301,369</b>	<b>\$ 2,541,947</b>

See notes to consolidated financial statements.

# AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

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### 1. DESCRIPTION OF THE ORGANIZATION

Audubon Nature Institute, Inc. is a nonprofit organization incorporated October 31, 1975. The Audubon Nature Institute, Inc. is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. The Audubon Nature Institute, Inc. manages and operates the Audubon Commission (the "Commission") facilities located at the Audubon Zoo and Park, the Aquarium and Riverfront Park, the Species Survival Center, the Louisiana Nature Center, and the Audubon Insectarium (the "Facilities") under a contractual management agreement. Facility revenues and expenses (including salary expense) are recorded by each facility in accordance with this management agreement. The Facilities had combined operating revenues of approximately \$32,356,000 for the year ended December 31, 2008, and combined total assets of approximately \$163,893,000 at December 31, 2008.

Audubon Nature Institute Foundation (the "Foundation"), is a separate nonprofit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and was incorporated February 8, 1991. Its mission is to raise funds to support the education programs and other activities managed by the Audubon Nature Institute, Inc. but the Foundation remains a separate legal entity. Since the Audubon Nature Institute, Inc. and the Foundation (collectively referred to herein as the "Institute") are related through common mission, board representation and common management, the accompanying consolidated financial statements include the accounts of the Audubon Nature Institute, Inc. and Foundation. The consolidated entity is referred to herein as the "Institute".

The Institute obtains donations, gifts and grants, and conducts fundraising activities in furtherance of its exempt purpose. The revenues and net assets reflected in these financial statements are the result of these activities. Specific grants to the Audubon Commission consist of donations received and grants obtained by the Audubon Nature Institute, Inc. for operating support and capital improvements of the Facilities discussed above.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The financial statement presentation is presented in accordance with the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Pursuant to SFAS No. 117, the Institute reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted* — Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

*Temporarily Restricted* — Net assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Institute pursuant to those stipulations such as completion of construction projects. In most cases, such actions require the expenditure of personnel effort or other costs before such assets can be released.

**Permanently Restricted** — Net assets whose use by the Institute is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets or permanently restricted net assets. The permanently restricted classification is also referred to as an endowment fund. Earnings from these assets are periodically transferred to the Commission's operating fund.

The consolidated financial statements include certain prior-year summarized comparative information of the Institute in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** — Cash equivalents include all short-term investments with an original maturity of three months or less.

**Investments** — The Institute records investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS No. 124 establishes standards for the recognition of fair value of investment in certain equity and debt securities with gains and losses included in the statements of activities. All investment income and recognized gains and losses are reported on the statement of activities and classified as unrestricted unless restricted by the donor or applicable law.

**Pledges Receivable and Contributions Received** — The Institute recognizes contributions received as revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received. Pledges receivable are recorded net of any allowance for uncollectible pledges and at net present value. A discount factor of 1.0% is applied to scheduled future pledge payments.

**Equipment** — Equipment is capitalized at cost and depreciated using the straight-line method over a period of five to ten years.

**New Accounting Pronouncements** — In August 2008, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA act of 2006 and improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. FSP 117-1 is effective for fiscal years ending after December 15, 2008. The impact of the adoption of

this standard resulted in additional disclosures in Note 5 to the Institute's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, a Company shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS 159 became effective for the Institute on January 1, 2008. The Institute has not elected to use the fair value option under SFAS 159.

The Institute adopted portions of SFAS 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement became effective for the Institute on January 1, 2008. The impact of the adoption of this standard resulted in additional disclosures in Note 12 to the Institute's consolidated financial statements.

The FASB issued FSP 157-2, *Partial Deferral of the Effective Date of Statement 157* (FSP 157-2), in February 2008 which deferred the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities which are recognized or disclosed on a non-recurring basis to fiscal years beginning after November 15, 2008. Management has not yet determined the impact, if any, that implementation of FSP 157-2 for nonfinancial assets and liabilities will have on the Institute's consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting and disclosure for uncertain tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. As amended, FIN 48 is effective for the Institute for fiscal years beginning after December 15, 2008. Management believes that implementation of FIN 48 will not have a significant impact, if any, on the Institute's consolidated financial statements.

### 3. INVESTMENTS

Investments are carried at fair value which was determined by reference to market information and published sources. At December 31, 2008 and 2007, investments consist of the following:

<b>Audubon Nature Institute Investments</b>	<b>2008</b>	<b>2007</b>
Marketable equity securities	<u>\$ 946,802</u>	<u>\$ 1,049,596</u>
<b>Foundation Investments</b>	<b>2008</b>	<b>2007</b>
Marketable equity securities	\$ 14,675,363	\$ 25,546,354
Alternative investments	6,416,035	5,415,372
Money market accounts and investment cash	<u>385,940</u>	<u>39,817</u>
Total investments	<u>\$ 21,477,338</u>	<u>\$ 31,001,543</u>

**Alternative Investments** — Alternative investments include private equity funds and hedge funds structured as limited liability corporations or partnerships or trusts. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market (market risk). These investments without readily marketable fair values are accounted for under the equity method, which approximates fair value.

Investment (loss) income of the Institute is comprised of the following:

	<b>2008</b>	<b>2007</b>
Dividend and interest income	\$ 578,609	\$ 702,181
Realized and unrealized (losses) gains on securities — net	<u>(10,376,714)</u>	<u>1,133,319</u>
Total investment (loss) income	<u>\$ (9,798,105)</u>	<u>\$ 1,835,500</u>

Board designated assets are unrestricted funds that are invested on a pooled basis with permanently restricted assets in accordance with Board approved plans. These funds are collectively invested as the Foundation's endowment fund. Board designated net assets totaled approximately \$4,317,000 and \$14,740,000 as of December 31, 2008 and 2007, respectively.

#### 4. PLEDGES RECEIVABLE

Unconditional promises of donors to make contributions to the Institute are included in the financial statements as pledges receivable and revenue of the temporarily restricted net asset class. Pledges are recorded after discounting future cash flows to the present value. Pledges receivable for the years ended December 31, 2008 and 2007, are expected to be realized as follows:

	2008	2007
In one year or less	\$ 1,854,885	\$ 1,668,246
Between one and five years	<u>2,177,084</u>	<u>1,712,502</u>
	4,031,969	3,380,748
Less discount and allowance for uncollectible pledges	<u>(59,761)</u>	<u>(133,182)</u>
Pledges receivable	<u>\$ 3,972,208</u>	<u>\$ 3,247,566</u>

Pledges receivable for the years ended December 31, 2008 and 2007, have restrictions as follows:

	2008	2007
Specific capital projects	\$ 2,526,166	\$ 1,272,857
Other — general capital and operating support	<u>1,446,042</u>	<u>1,974,709</u>
Total pledges receivable	<u>\$ 3,972,208</u>	<u>\$ 3,247,566</u>

#### 5. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The Institute has 13 temporarily restricted funds and 19 permanently restricted funds established for a variety of purposes. These funds are classified and reported based on the existence or absence of donor-imposed restrictions. Restricted net assets include funds dedicated to the Facilities and Survival/Research Center.

The Uniform Management of Institutional Funds Act (UMIFA Act) requires that the Institute preserve the historic dollar value of the donor restricted endowed funds. Therefore, permanently restricted net assets contain the aggregate fair market value of (1) an endowment fund at the time it became an endowment fund, (2) each subsequent donation to the fund at the time it is made, and (3) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The Institute invests its funds in companies and opportunities whose operational philosophy and management activities are consistent with the overall mission and objectives of the Institute. The primary objective is the long term growth of the fund's assets. It is recognized that short-term fluctuations may result in the loss of capital earned on occasion. However, in the absence of contributions and withdrawals, the asset value of the funds should grow in the long run and earn rates of return greater than those of an appropriate market index, while avoiding excess risk. The next objective is the preservation of purchasing power. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation as measured by the Consumer Price Index. The final objective is to preserve the value of the assets by earning a positive return over the investment time horizon. The

annual distributions from the endowment funds are 5% and are based upon a 5 year rolling average of the value of the funds.

Temporarily restricted net assets as of December 31, 2008 and 2007 are available for purposes or periods as follows:

	2008	2007
Pledges and grants receivable for periods after year-end	\$4,863,662	\$4,134,609
Capital projects at Zoo and Park, Insectarium, and Aquarium	685,897	1,584,697
Education programs at the Zoo, Aquarium, and Nature Center	372,254	379,530
Operating support for the Insectarium	100,564	1,000,000
Operating support for the Zoo	<u>751,130</u>	<u>807,279</u>
Total temporarily restricted net assets	<u>\$6,773,507</u>	<u>\$7,906,115</u>

Permanently restricted net assets as of December 31, 2008 and 2007 must be invested in perpetuity, but the income from these investments is available to support the following:

	Permanently Restricted Net Assets		Income Transferred to	
	2008	2007	2008	2007
Aquarium of the Americas and Riverfront Park	\$ 5,324,884	\$ 5,324,884	\$ 493,090	\$ 41,052
Survival Center/Research Center	8,411,081	8,411,081	420,554	35,046
Audubon Zoo and Park	2,158,306	2,092,474	151,037	54,102
Louisiana Nature Center	<u>1,111,058</u>	<u>1,314,742</u>	<u>43,763</u>	<u>3,647</u>
Total	<u>\$17,005,329</u>	<u>\$17,143,181</u>	<u>\$ 1,108,444</u>	<u>\$ 133,847</u>

#### Changes in Restricted Net Assets for the Year Ended December 31, 2008

	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 7,906,115	\$ 17,143,181	\$ 25,049,296
Investment income		631,451	631,451
Contributions	3,481,305	66,000	3,547,305
Appropriations for expenditures	(4,679,147)	(835,135)	(5,514,282)
Other	<u>65,234</u>	<u>(168)</u>	<u>65,066</u>
Ending balance	<u>\$ 6,773,507</u>	<u>\$ 17,005,329</u>	<u>\$ 23,778,836</u>

## 6. RELATED-PARTY TRANSACTIONS

The Audubon Nature Institute, Inc. and the Commission are related through interaction of their Boards of Directors and the contractual management agreement under which the Institute manages and operates Commission facilities. As a result, these entities often engage in operations through one organization that benefits the other organization to achieve economies of scale. One example of this is the use of

common or central bank accounts. The Institute has verbally committed to the Commission to provide the necessary level of financial support to enable the Commission to discharge its liabilities as they become due through January 1, 2010, including, if necessary, not to demand repayment on amounts due to the Institute during this period. At December 31, 2008 and 2007, the Institute's receivables from and payables to the Commission are summarized as follows:

	2008	2007
Due from Audubon Commission	<u>\$ 10,682,557</u>	<u>\$ 9,538,889</u>

Specific gifts and grants provided by the Audubon Nature Institute, Inc. to Commission facilities to pay operating expenses and fund certain capital projects for the years ended December 31, 2008 and 2007, are summarized as follows:

	2008	2007
Audubon Zoo and Park	\$ 1,484,608	\$ 868,040
Aquarium of the Americas and Riverfront Park	155,883	479,711
Survival Center/Research Center	1,274,502	1,411,201
Insectarium	<u>2,439,453</u>	<u></u>
Total	<u>\$ 5,354,446</u>	<u>\$ 2,758,952</u>

## 7. EMPLOYEE BENEFIT PLANS

The Audubon Nature Institute, Inc. has established a tax-deferred annuity plan for the benefit of all full-time employees. The plan provides for the purchase of annuities which qualify for tax deferral. Employees may participate on an optional basis by contributing between 2% and 15% of their salary, not to exceed limits established by the Internal Revenue Service. The Audubon Nature Institute, Inc. matches employee contributions up to 3% of base salary. Contributions are not subject to Federal income taxes and accumulate on a tax-deferred basis until withdrawn. The Audubon Nature Institute, Inc.'s contributions amounted to approximately \$5,907 and \$5,775 for 2008 and 2007, respectively.

The Audubon Nature Institute, Inc. also has a discretionary 457(f) Executive Retirement Plan for three of its officers. The plan provides additional compensation based on years of service and estimated pay at retirement. Total contributions amounted to approximately \$448,000 for both 2008 and 2007. The liability related to the plan totaled approximately \$1,054,000 and \$1,038,000 at December 31, 2008 and 2007, respectively and is recorded in accrued compensation in the accompanying financial statements.

## 8. BANK LINES OF CREDIT

The Audubon Nature Institute, Inc. has unsecured revolving lines of credit with three commercial banks. At December 31, 2008, one line of credit is for \$2,000,000 and the other two are for \$1,000,000 each. Standby letters of credit total \$2,323,237. The \$2,000,000 line of credit had an interest rate of Prime minus 1.25% (2.75% and 6.25% at December 2008 and 2007, respectively), and the line expired January 31, 2009. The \$2,000,000 line of credit was extended until April 30, 2009 with interest terms of the greater of the CB Floating Rate plus 2% or the Adjusted One Month Libor Rate plus 2% (Adjusted One Month Libor is defined as the One Month Libor Rate plus 2.5%). After April 30, 2009, the line of credit was reduced to \$1,000,000 with a maturity date of January 10, 2010. The \$1,000,000 lines of

credit bear interest at the 30 day LIBOR plus 150 basis points (3.40% and 6.75% at December 31, 2008 and 2007, respectively), and these lines of credit expire in July 2009 and September 2009 at which time renewal of the lines will be sought. The Institute does not believe there are any conditions that would change its ability to renew the notes. The Institute had \$4,000,000 outstanding under these revolving lines at December 31, 2008. The Institute did not have any amounts outstanding on the lines at December 31, 2007.

## 9. TERM LOANS AND REVENUE BONDS

Term loans and revenue bonds at December 31, 2008 and 2007, are comprised of the following:

	2008	2007
Commercial bank term loan of \$3,000,000, unsecured, bears interest at fixed rate of 4.8%, due in monthly installments of \$52,262 through December 2008	\$ -	\$ 663,527
Packard Foundation loan of \$3,000,000, unsecured, bears interest at fixed rate of 2%, interest due annually, principal due annually beginning in May 2008 through May 2010	<u>2,250,000</u>	<u>3,000,000</u>
Total term loans	2,250,000	3,663,527
Revenue bonds	<u>1,630,000</u>	<u>1,835,000</u>
Total term loans and revenue bonds	<u>\$3,880,000</u>	<u>\$5,498,527</u>

**Term Loans** — In May 2006, Audubon Nature Institute, Inc. entered into a program related investment (PRI) agreement with The David and Lucille Packard Foundation for \$3,000,000. Under this arrangement, proceeds from the PRI are to be used to rebuild, reopen, and re-market the Audubon Facilities. Effective May 12, 2009, the credit agreement between the Institute and The David and Lucille Packard Foundation was amended. Pursuant to the amended agreement, the remaining outstanding balance on the loan will be paid quarterly in equal installments of \$204,545 through November 2011 at a fixed interest rate paid quarterly of .5%.

**Revenue Bonds** — The Audubon Nature Institute, Inc. borrowed \$3,060,000 under an Equipment and Capital Facilities Pooled Loan Program in connection with Revenue Bonds Series 2001B issued by the Louisiana Public Facilities Authority (LPFA). Under this arrangement, proceeds from the note were deposited into a separate project capital fund maintained on behalf of the Institute by a trustee. The restricted funds were released to cover the cost of certain defined capital projects as such project costs were incurred. As of December 31, 2008, approximately \$3,060,000 of such funds had been disbursed to cover the cost of certain capital projects in process and no amounts remained available for expenditure. Monthly principal payments of \$17,000 plus interest (2.18% and 3.81% at December 31, 2008 and 2007, respectively) are paid into a debt service fund under the arrangement based on a 15-year amortization; however, bond and interest payments are made to bondholders semi-annually. Bonds are due December 2016. Amounts held in the escrow fund for payment by the trustee are included in restricted assets at December 31, 2008 and 2007. The balances outstanding under the LPFA bonds were \$1,630,000 and \$1,835,000 at December 31, 2008 and 2007, respectively.

Future debt payments due under the above borrowings are as follows:

<b>Years Ending December 31</b>	
2009	\$ 817,635
2010	1,022,180
2011	1,022,185
2012	204,000
2013	204,000
Thereafter	<u>610,000</u>
Total	<u>\$3,880,000</u>

#### **10. OTHER TRUSTS**

The Audubon Nature Institute, Inc. and the University of New Orleans (the "University") have established four funded trusts to support four endowed chairs at the University. Under an affiliation agreement with the University, the chairholders will conduct research at Audubon Center for Research of Endangered Species and discharge academic responsibilities at the University. These trusts were funded by private donations totaling \$2,400,000 and combined with \$1,600,000 in matching funds from the Louisiana Trust Fund for Eminent Scholars. This funding set up four \$1,000,000 chairs. The trust assets are not included as Audubon Nature Institute assets. Audubon and the University jointly benefit from trust distributions that fund the chairholders' research and academic responsibilities. At December 31, 2008, senior scientists occupied four chairs of the Audubon Center for Research of Endangered Species.

#### **11. CONTINGENCIES**

Certain claims and suits have been filed against the Institute. The majority of these claims are covered by insurance and, based on all available information and consultation with the Institute's legal counsel, management does not believe the ultimate resolution of these matters will have a significant effect on the Institute's financial position, results of operations, or cash flows.

#### **12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value and expands disclosures about such fair value measurements. Issued in February 2008, FASB Staff Position (FSP) No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, removed leasing transactions accounted for under SFAS 13 and related guidance from the scope of SFAS 157. FSP No. 157-2, *Partial Deferral of the Effective Date of SFAS 157*, deferred the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the Commission's financial statements on a recurring basis, to fiscal years beginning after November 15, 2008.

The Institute adopted SFAS 157 as of January 1, 2008 for financial assets and financial liabilities, and there was no impact on the Institute's financial position and results of operations for the year ended December 31, 2008. The Institute is currently assessing the impact of SFAS 157 for nonfinancial assets and nonfinancial liabilities on the Institute's financial position and results of operations.

SFAS 157 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The Institute endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

#### Assets and Liabilities Measured at Fair Value —

*Recurring Fair Value Measurements* — The fair value of assets and liabilities measured at estimated fair value on a recurring basis, including those items for which the Institute has elected the fair value option, are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy are summarized as follows:

December 31, 2008				
Fair Value Measurements at Reporting Date Using				
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
	(In millions)			
Equity	\$ 8,782,060	\$ -	\$ -	\$ 8,782,060
Fixed Income	3,016,396			3,016,396
Cash & Equivalents	385,939			385,939
International Equity	1,178,550			1,178,550
Emerging Markets	799,215			799,215
Hedge Fund			4,114,488	4,114,488
REIT	1,845,945			1,845,945
Multi Strategy			1,597,751	1,597,751
Total Return Assets/Inflation Hedges			703,796	703,796
<b>Total</b>	<b>\$ 16,008,105</b>	<b>\$ -</b>	<b>\$ 6,416,035</b>	<b>\$ 22,424,140</b>

A rollforward of the fair value measurements for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs for year ended December 31, 2008 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Total Realized/Unrealized Gains (Losses) Included in:							
	Balance, December 31, 2007	Impact of SFAS 157 and SFAS 159 Adoption	Balance, beginning of period	Earnings (Loss)	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances & Settlements	Transfer In and/or Out of Level 3	Balance, December 31, 2008
Hedge Fund	\$ 5,415,375	\$ -	\$ 5,415,375	\$ (1,300,887)	\$ -	\$ -	\$ -	\$ 4,114,488
Multi Strategy				(402,249)		2,000,000		1,597,751
Total Return/Inflation Hedges	<u>912,861</u>		<u>912,861</u>	<u>(209,065)</u>				<u>703,796</u>
TOTAL	<u>\$ 6,328,236</u>	<u>\$ -</u>	<u>\$ 6,328,236</u>	<u>\$ (1,912,201)</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 6,416,035</u>

\* \* \* \* \*

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## **ADDITIONAL CONSOLIDATING INFORMATION**



Deloitte & Touche LLP  
Suite 4200  
701 Poydras Street  
New Orleans, LA 70139-4200  
USA

Tel: +1 504 581 2727  
Fax: +1 504 561 7293  
[www.deloitte.com](http://www.deloitte.com)

## **INDEPENDENT AUDITORS' REPORT ON ADDITIONAL CONSOLIDATING INFORMATION**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information for 2008 is presented for the purpose of additional analysis of the basic consolidating financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the basic consolidated financial statements. The additional consolidating information is the responsibility of the Institute's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2008 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2008 consolidated financial statements taken as a whole.

*Deloitte & Touche LLP*

May 21, 2009

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATING SCHEDULE — STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF DECEMBER 31, 2008**

	<b>Audubon Nature Institute</b>	<b>Audubon Nature Institute Foundation</b>	<b>Total</b>
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 301,369	\$ -	\$ 301,369
ACCOUNTS AND GRANTS RECEIVABLE	944,573		944,573
INVESTMENTS	946,802	21,477,338	22,424,140
PLEDGES RECEIVABLE	3,722,208	250,000	3,972,208
DUE FROM AUDUBON COMMISSION	11,087,392	(404,835)	10,682,557
PREPAIDS AND OTHER ASSETS	43,037		43,037
EQUIPMENT LESS ACCUMULATED DEPRECIATION OF \$61,625	29,507		29,507
RESTRICTED ASSETS — LPFA bonds	<u>135,654</u>	<u></u>	<u>135,654</u>
TOTAL	<u>\$17,210,542</u>	<u>\$21,322,503</u>	<u>\$38,533,045</u>
<b>LIABILITIES AND NET ASSETS</b>			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 244,651	\$ -	\$ 244,651
ACCRUED COMPENSATION	1,065,608		1,065,608
LINE OF CREDIT	4,000,000		4,000,000
TERM LOAN	2,250,000		2,250,000
LPFA BONDS	<u>1,630,000</u>	<u></u>	<u>1,630,000</u>
Total liabilities	<u>9,190,259</u>	<u>-</u>	<u>9,190,259</u>
<b>NET ASSETS:</b>			
Unrestricted — including Board designated	1,246,777	4,317,173	5,563,950
Temporarily restricted	6,773,507		6,773,507
Permanently restricted	<u></u>	<u>17,005,329</u>	<u>17,005,329</u>
Total net assets	<u>8,020,284</u>	<u>21,322,502</u>	<u>29,342,786</u>
TOTAL	<u>\$17,210,543</u>	<u>\$21,322,502</u>	<u>\$38,533,045</u>

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**CONSOLIDATING SCHEDULE — STATEMENT OF ACTIVITIES INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Audubon Nature Institute</b>	<b>Audubon Nature Institute Foundation</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT:</b>			
Government grants	\$ 548,753	\$ -	\$ 548,753
Gifts, exhibit/program sponsorships	3,622,808	66,000	3,688,808
Investment loss	(378,935)	(9,419,170)	(9,798,105)
Imputed interest on pledges	73,421		73,421
Fundraising activities	1,228,692		1,228,692
Net assets released from restrictions — endowment income transferred to Audubon Commission funds		(1,108,444)	(1,108,444)
<b>Total revenue and other support</b>	<b><u>5,094,739</u></b>	<b><u>(10,461,614)</u></b>	<b><u>(5,366,875)</u></b>
<b>EXPENSES:</b>			
Grant expense to the Audubon Commission	5,354,446		5,354,446
Development and fundraising activities	1,473,629		1,473,629
Termite education grant	85,994		85,994
Interest	75,499		75,499
Investment expenses		98,849	98,849
Other expenses	<u>8,187</u>		<u>8,187</u>
<b>Total expenses</b>	<b><u>6,997,755</u></b>	<b><u>98,849</u></b>	<b><u>7,096,604</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,903,016)</b>	<b>(10,560,463)</b>	<b>(12,463,479)</b>
<b>NET ASSETS — Beginning of year</b>	<b><u>9,923,299</u></b>	<b><u>31,882,966</u></b>	<b><u>41,806,265</u></b>
<b>NET ASSETS — End of year</b>	<b><u>\$ 8,020,283</u></b>	<b><u>\$ 21,322,503</u></b>	<b><u>\$ 29,342,786</u></b>

**OMB CIRCULAR A-133 SUPPLEMENTAL REPORTS AND SCHEDULES**



Deloitte & Touche LLP  
Suite 4200  
701 Poydras Street  
New Orleans, LA 70139-4200  
USA

Tel: +1 504 581 2727  
Fax: +1 504 561 7293  
[www.deloitte.com](http://www.deloitte.com)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

We have audited the consolidated financial statements of the Audubon Nature Institute, Inc. and Audubon Nature Institute Foundation (the "Institute"), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Deloitte & Touche LLP*

May 21, 2009



Deloitte & Touche LLP  
Suite 4200  
701 Poydras Street  
New Orleans, LA 70139-4200  
USA  
Tel: +1 504 581 2727  
Fax: +1 504 561 7293  
[www.deloitte.com](http://www.deloitte.com)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

To the Board of Directors of  
Audubon Nature Institute, Inc.:

We have audited the compliance of Audubon Nature Institute, Inc. (the "Institute") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination of the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the consolidated financial statements of the Institute as of and for the year ended December 31, 2008, and have issued our report thereon dated May 21, 2009. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Deloitte & Touche LLP*

May 21, 2009

**AUDUBON NATURE INSTITUTE, INC. AND  
AUDUBON NATURE INSTITUTE FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor or Pass-through Grantor and Program Title</b>	<b>Contract Number</b>	<b>Total Award</b>	<b>Expenditures Incurred During the Year Ended December 31, 2008</b>
National Fish & Wildlife Foundation	2006-0182-009	\$ 69,110	\$ 68,322
Louisiana Department of Agriculture & Forestry	160-700310	93,626	83,671
Institute of Museum and Library Services:			
Gates to Early Childhood	LG-21-04-020-04	236,150	60,649
Learning Opportunities	ML-02-03-0287-03	70,541	4,119
Community Relations	MA-03-04-242-04	150,000	37,778
U.S. Department of Agriculture— Agricultural Research Services:			
Termite Education/Construction Grant	59-6435-3-0076	694,500	93,062
U.S. Department of Housing & Urban Development: Insectarium — 2005	B-02-SP-LA-0292	402,368	96,430
U.S. Department of Commerce— National Oceanic and Atmospheric Administration:			
Marine Mammal Reserve Grant	NA05NMF4391202	99,900	43,510
Marine Mammal Reserve Grant	NA08NMF4390578	95,400	30,523
Audubon's Wetlands Educational Outreach Program	NA06OAR4170022	131,120	30,689
		<u>\$ 2,042,715</u>	<u>\$ 548,753</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

# AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE FOUNDATION

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** — The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants.

***Accrued Reimbursement*** — Various reimbursement procedures are used for federal awards received by the Institute. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over reimbursements received.

***Payments to Subrecipients*** — There were no payments to subrecipients for the year ended December 31, 2008.

***Grant Contract Numbers*** — Federal CFDA Numbers are not available for the grants listed in the schedule of expenditures of federal awards. The identifying numbers presented are the contract numbers assigned by the respective federal agencies.

**AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE  
FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2008**

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**Part I — Summary of the Auditors' Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

• Significant deficiency(ies) identified that  
are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   None  
Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

• Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

• Significant deficiency(ies) identified that  
are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   None  
Reported

Any audit findings disclosed that are required to be  
reported in accordance with section

510(a) of OMB Circular A-133

\_\_\_\_\_ Yes   X   No

**Identification of major programs:**

Contract Number / Name of Federal Program or Cluster:

- # 160-700310 Louisiana Department of Agriculture & Forestry
- B-02-SP-LA-0292 U.S. Department of Housing & Urban Development:  
Insectarium — 2005
- #59-6435-3-0076 U.S. Department of Agriculture: Termite  
Education/Construction Grant
- #2006-0182-009 National Fish & Wildlife Foundation

Dollar threshold used to distinguish between  
type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**Part II — Financial Statement Findings Section**

There were no findings related to the financial statements requiring disclosure for the year ended December 31, 2008.

**Part III — Federal Award findings and Questioned Cost Section**

The Institute had no findings or questioned costs requiring disclosure for the year ended December 31, 2008.

**AUDUBON NATURE INSTITUTE, INC. AND AUDUBON NATURE INSTITUTE  
FOUNDATION**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2008**

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There were no items identified in the course of the conduct of the prior year's examination that were reported.